

Message Text

LIMITED OFFICIAL USE

PAGE 01 BELGRA 01068 141529 Z

66

ACTION EUR-25

INFO OCT-01 ADP-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-09 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 CIEP-02

LAB-06 SIL-01 SAL-01 OMB-01 DODE-00 PM-09 H-02 L-03

NSC-10 PA-03 PRS-01 SS-14 USIA-12 INT-08 CEA-02 SAJ-01

STR-08 RSR-01 /173 W
----- 051221

R 141414 Z MAR 73
FM AMEMBASSY BELGRADE
TO SECSTATE WASHDC 5684
INFO USMISSION BERLIN
AMEMBASSY BUCHAREST
AMEMBASSY BUDAPEST
AMEMBASSY MOSCOW
AMEMBASSY PRAGUE
AMEMBASSY SOFIA
USMISSION NATO
AMEMBASSY WARSAW
AMCONSUL ZAGREB

LIMITED OFFICIAL USE BELGRADE 1068

E. O. 11652: N/A

TAGS: EMIN, EFIN, ETRD, ENRG, YO, UR

SUBJECT: NEW SOVIET ECONOMIC AGREEMENTS WITH SKOPLJE STEEL
WORKS IN MACEDONIA

1. SUMMARY. TANJUG DESPATCH DATELINED MOSCOW MARCH 11 REPORTS
ON THREE SOVIET AGREEMENTS - ONE SIGNED, TWO UNDER NEGOTIATION,-
WITH SKOPLJE STEEL WORKS IN MACEDONIA. THEY CONSTITUTE FIRST
SIGNIFICANT SOVIET INVOLVEMENT WITH THIS ENTERPRISE WHICH WAS
BUILT PRIMARILY WITH BRITISH AND AUSTRIAN EQUIPMENT, HAS BEEN
PLAGUED BY TECHNICAL AND FINANCIAL DIFFICULTIES, AND IS MAJOR
SOURCE OF EMPLOYMENT IN ONE OF POOREST OF YUGOSLAVIA'S
REPUBLICS. END SUMMARY.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 BELGRA 01068 141529 Z

2. IN \$26 MILLION BARTER AGREEMENT SIGNED IN MOSCOW ON MARCH 10, PROMSIREKSOPOORT OF USSR WILL DELIVER SEMI- FINISHED STEEL FORMS TO SKOPLJE STEEL WORKS AND TEHNOMETAL OF SKIPLJE IN EXCHANGE FOR STEEL SHEETS. SECOND AGREEMENT, EXPECTED TO BE SIGNED SOON, CALLS FOR INDUSTRIAL COOPERATION BETWEEN SKOPLJE STEEL WORKS AND UNNAMED SOVIET STEEL INDUSTRY COMBINES FROM 1973 THROUGH 1975. VALUE OF DELIVERIES UNDER THIS AGREEMENT IS SET AT \$68 MILLION. THIRD AGREEMENT, SAID TO BE UNDER NEGOTIATION, INVOLVES DELIVERY OF SOVIET EQUIPMENT FOR SKOPLJE STEEL WORKS. NO PRECISE VALUE FIGURES ARE GIVEN OTHER THAN THAT EQUIPMENT WILL BE WORTH TENS OF MILLIONS OF DOLLARS.

3. PROBABLY ONE OF MOST UNECONOMIC INDUSTRIAL ENTERPRISES IN YUGOSLAVIA, SKIOPJE STEEL WORKS IS ESTIMATED TO HAVE OPERATED AT ONLY ONE- THIRD OF CAPACITY IN 1972 AND TO HAVE INCURRED LOSSES OF MORE THAN \$20 MILLION. ITS BASIC PRODUCTION DIFFICULTY STEMS FROM ATTEMPT OF MILL' S DESIGNERS TO OVERCOME PROBLEM OF YUGOSLAV SHORTAGE OF COKING COAL THROUGH USE OF ELECTRIC FURNACES. UNFORTUNATELY, POOR QUALITY OF AVAILABLE IRON ORE HAS REQUIRED EXCEPTIONALLY HIGH VOLUME OF ELECTRIC POWER WHICH HAS BEEN UNAVAILABLE FOR SUSTAINED PERIODS. LOSSES IN 1972 WERE ATTRIBUTED MAINLY TO ERRATIC POWER SUPPLY, BUT ALSO TO DIFFICULTIES IN USING MODERN BRITISH EQUIPMENT, GOVERNMENT RESTRICTIONS ON IMPORTS RAW MATERIALS, FAILURE OF CUSTOMERS TO PAY BILLS (YUGOSLAVIA' S LIQUIDITY CRISIS), AND WORK STOPPAGES BY LABOR. AS ONE OF LARGEST CAPITAL EQUIPMENT INDUSTRIES IN LESS- DEVELOPED REPUBLIC OF MACEDONIA, AND LARGEST SOURCE OF EMPLOYMENT IN SKOPLJE, STEEL WORKS HAS RECENTLY RECEIVED NUMBER OF SPECIAL GRANTS AND TAX EXEMPTIONS. PLANS FOR ITS TECHNICAL IMPROVEMENT, INCLUDING ONE BRITISH SURVEY MADE FEW MONTHS AGO, HAVE RECOMMENDED REPLACEMENT OR SUPPLEMENT OF ELECTRIC FURNACES WITH BLAST FURNACES.

4. AGAINST ABOVE BACKGROUND, SOVIET AGREEMENTS PROVIDE BADLY NEEDED ASSISTANCE AND, AS IN OTHER LESS- DEVELOPED YUGOSLAV REPUBLICS, BOOST FOR EMPLOYMENT. BARTER AGREEMENT WILL PERMIT IMPORT OF WORKING MATERIALS WITHOUT MAKING CASH PAYMENTS OR OBTAINING FOREIGN CREDITS WHICH NOW SHARPLY RESTRICTED UNDER GOY STABILIZATION PROGRAM. INDUSTRIAL COOPERATION AGREEMENT, WHICH CONFORMS WITH GOY PLANS TO EXPAND ECONOMIC RELATIONS WITH CEMA COUNTRIES THROUGH BILATERAL, INDUSTRY- TO- INDUSTRY CO- PRODUCTION LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 BELGRA 01068 141529 Z

AGREEMENTS, CLULD RESULT IN INCREASED OUTPUT AND TECHNICAL

ASSISTNCE. FINALLY, THIRD AGREEMENT FOR SUPPLY OF SOVIET EQUIPMENT, APPEARS TO INVOLVE CONSTRUCTION OF BLAST FURNACE AND ADDITIONAL ELECTRIC POWER STATION. THESE WILL BE FINANCED UNDER FRAMEWORK OF \$540 MILLION SOVIET DEVELOPMENT CREDIT EXTENDED TO GOY IN NOVEMBER 1972. OF 38 PROJECTS COVERED BY THIS CREDIT, TWO FOR MACEDONIA WERE IDENTIFIED AS "SKIPLJE STEEL WORKS AND THERMOELECTRIC PLANT IN SKIPLJE". WESTERN SOURCE ADVISED EMBASSY MARCH 12 THAT TOTAL VALUE OF THESE TWO PROJECTS EXPECTED TO BE BETWEEN \$75 AND \$100 MILLION, WITH BLAST FURNACE CONSTRUCTION SCHEDULED ABOUT 1976. TOON

LIMITED OFFICIAL USE

*** Current Handling Restrictions *** n/a

*** Current Classification *** LIMITED OFFICIAL USE

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 14 MAR 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: cunninfx
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973BELGRA01068
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: n/a
Errors: n/a
Film Number: n/a
From: BELGRADE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730330/aaaahwlt.tel
Line Count: 130
Locator: TEXT ON-LINE
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: cunninfx
Review Comment: n/a
Review Content Flags:
Review Date: 02 AUG 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <02-Aug-2001 by boyleja>; APPROVED <13-Sep-2001 by cunninfx>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> wfs 971209
Subject: NEW SOVIET ECONOMIC AGREEMENTS WITH SKOPLJE STEEL WORKS IN MACEDONIA
TAGS: EFIN, EMIN, ENRG, ETRD, UR, YO
To: BERLIN
BUCHAREST
BUDAPEST
EUR
MOSCOW
NATO
PRAGUE

SECSTATE WASHDC

SOFIA

Type: TE

Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005